REDACTED - FOR PUBLIC INSPECTION

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January 14, 2016

Ex Parte

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Connect America Fund*, WC Docket No. 10-90; *High Cost Universal Service Support*, WC Docket No. 05-337; *Universal Service Reform Mobility Fund*, WT Docket No. 10-208; *ETC Annual Reports and Certifications*, WC Docket No. 14-58; *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135; *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92

Dear Ms. Dortch:

In accordance with the Second Protective Order for the above-referenced proceedings General Communication, Inc. ("GCI") hereby submits a highly confidential version of the attached Notice of Ex Parte in connection with discussions held with FCC staff on January 14, 2016.

With the prior approval of Commission staff, GCI has designated for highly confidential treatment the marked portions of the attached document pursuant to the Second Protective Order in WC Docket Nos. 10-90 and 05-337.[1]

Pursuant to the Second Protective Order, a redacted version of the document will be filed electronically via ECFS. GCI also is sending two copies of the highly confidential and this cover letter to Katie King, Telecommunications Access Policy Division, Wireline Competition Bureau.

Please contact me if you have any questions.

Sincerely,

John T. Nakahata
Counsel to General Communication, Inc.

cc: Katie King

[1] *Connect America Fund; High-Cost Universal Support*, Second Protective Order, DA 12-292, 27 FCC Rcd. 1494 (Wireline Comp. Bur. 2012).

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Dear Ms. Dortch:

On January 12, 2016, Chris Nierman of General Communication, Inc. ("GCI") and I spoke with Roger Sherman, Jim Schlicting, Chad Breckinridge, Sue McNeil, Audra Hale-Maddox, Gary Michaels, Matthew Pearl, Paroma Sanyal, and Margaret Wiener of the Wireless Telecommunications Bureau and Alexander Minard of the Wireline Competition Bureau. We met with them regarding the Alaska Plan and GCI's proposed commitments. We urged that the Commission move forward to adopt the Alaska Plan, to bring a comprehensive and timely resolution to high cost universal service support for Alaska. This is the most practical and readily achievable way to resolve these issues, and it relieves the Commission from having to try to shoehorn Alaska into national reforms that won't fit well because of Alaska's unique geography, demographics, climate, and infrastructure challenges.

We discussed the origins of the Alaska Plan. In terms of telecommunications infrastructure, especially mobile wireless infrastructure, Alaska has long been underdeveloped as compared with the Lower 48. The national carriers were slow to deploy wireless facilities in the state and have not deployed mobile wireless services in the vast rural parts of Alaska. Today, 4G LTE services are being deployed primarily in the three major cities, Anchorage, Fairbanks, and Juneau, and along the terrestrial highway system. These are largely the same areas served by fiber middle-mile facilities and connected to a modern power grid with roads providing readily accessible telecommunications routes. In some other areas (as well as in the LTE served areas), HSPA+ and EVDO networks have been deployed to provide both voice and data services. Still other areas have only 2G services, and many smaller communities lack any mobile wireless services whatsoever.

Data show that these barriers require substantial funding to close these service gaps. The Brattle Group conducted a study for GCI concluding that the incremental cost of deploying a mobile voice and broadband network capable of providing data speeds of at least 768 kbps downlink and 256 kbps uplink at the edge (which would require approximately 4 Mbps

throughput at the cell site) in every populated census block in Alaska would require between $260 million and $550 million per year in universal service support. Given that the total support to all Alaska carriers, wireline and wireless alike, today is $186 million, the amount required for wireless alone far exceeds what will even be available to all carriers under any mechanism. And while Tribal Mobility Fund Phase I support has helped to upgrade service to some communities, much remains to be done before all of Alaska has the level of wireless service customary in most of the Lower 48, or even in Anchorage and Fairbanks.

Within Alaska, there is substantial diversity. Anchorage is, by Lower 48 standards, a smaller, low-density city, with a population of approximately 300,000 spread over nearly 2,000 square miles. At only 153 persons per square mile, it has the lowest population density of any of the nation's 275 cities with 100,000 or more residents.[1] At the other end of the spectrum, Alaska has many small communities, some of which are on islands in the middle of the ocean, and some of which are figurative islands in the middle of remote tundra or mountains. These small communities can be reached only by airplane, boat, snowmachine, or dogsled. Outside of the areas along the road system, none of Alaska's smaller communities are on an intertied power grid, with most reliant on local generators powered by expensive diesel fuel that has to be barged or flown to the community.[2] This diversity presents a significant challenge both in fitting Alaska into any high cost universal service reform plan that works in the Lower 48, and also in developing mechanisms that will work in all parts of Alaska.

Following the *2011 Universal Service and Intercarrier Compensation Transformation Order*, Alaska carriers faced substantial uncertainty as to future levels of universal service support. This created a challenging investment environment for both wireline and mobile services. This uncertainty was further compounded by the substantial differences in the results for Alaska in the Mobility Fund Phase 1 and Tribal Mobility Fund Phase 1 reverse auctions. In Mobility Fund Phase 1, Alaska was awarded just 1% ($3 million) of the total support auctioned. In Tribal Mobility Fund Phase 1, Alaska was awarded 81% of the support auctioned. These wildly fluctuating results underscore Alaska's unique situation and the difficulty of devising national universal service support mechanisms that have the type of predictable and stable effects businesses need in order to invest in new infrastructure.

To address this uncertainty, and in the wake of a challenge from the Chairman to develop an overall Alaska proposal, the Alaska Telephone Association convened discussions among all

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[1] Population density statistics are as counted in the 2010 U.S. Census. *See* U.S. Census Bureau, 2014 U.S. Gazetteer Files available at https://www.census.gov/geo/mapsdata/data/gazetteer2014.html with further information available through the American FactFinder website at http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml.

[2] These are but two examples of the additional challenges of service deployment and delivery to remote, Arctic communities. *See* Comments of General Communication, Inc. on Second Further Notice of Proposed Rulemaking at 5-8, WC Docket Nos. 11-42, 09-197, and 10-9- (filed Aug. 31, 2015).

Alaska carriers. The objectives for developing a plan were to keep it simple and implementable, provide a defined period of stability for participating carriers, improve the targeting of high cost support to areas that most needed it, and generate definable and measurable broadband deployment benefits. The output from these discussions is the ATA's Consensus Alaska Plan, which is joined by every Alaska-based rate-of-return carrier and CETC. Alaska Communications Systems ("ACS"), which did not join the plan, is a price cap carrier that receives high cost support under the CAF Phase II frozen support for non-contiguous areas.

The Alaska Plan built on the basic framework of the CAF Phase II frozen support for non-contiguous areas that ACS receives. In broad strokes, under the Alaska Plan, high cost support for each participating carrier would be frozen – for the rate-of-return carriers, at 2011 levels adjusted downward for the $3,000 per line annual support cap, and for the corporate operation expense limits on ICLS, and, for CETCs, at the 2014 year-end levels. In Remote Alaska, all CETC support, whether legacy wireline or wireless support, would be targeted to mobile wireless, and could not be used to support services in areas in which AT&T or Verizon offer 4G LTE services. In non-Remote Alaska, CETC support would be phased out, with a small portion used to cover the delta between adjusted 2011 support and current support for Alaska rate-of-return carriers and approximately $20 million to be distributed for service to communities with no wireless service. This proposal substantially narrows the targeting of CETC support, focusing it on communities with a collective population of approximately 140,000, as compared with a total state population of over 730,000. Each rate-of-return ILEC and each CETC receiving support would also have to meet a set of broadband service deployment obligations approved by the Wireline and Wireless Bureaus, respectively. Through this combination of measures, Alaska does not increase its draw on national universal service support, but redeploys that existing support in ways that are better targeted and advances the Commission's universal service goals, implemented in a practical, workable and enforceable manner.

We noted in the meeting that from a timing perspective, it is important that all parts of the Alaska Plan be adopted together, and no later than any national rate-of-return carrier high cost reform. Alaska's rate-of return carriers cannot reasonably be expected to make participation elections unless, they know whether, in addition to a national cost-based support mechanism and an ACAM-based support mechanism, they also will have the option of the Alaska Plan. Each of Alaska's CETCs subject to the Alaska Plan is affiliated with a rate-of-return carrier, and thus from a practical standpoint financial and network planning for these entities goes hand-in-hand. And while GCI's rate-of-return ILEC operations are small compared with its statewide mobile wireless operations, GCI's middle-mile investments provide infrastructure for both GCI's mobile wireless operations and the local ILEC. Piece-parting the Alaska Plan destroys some of the network investment synergies that come from stabilizing high cost support for the entire Alaska telecommunications environment. Moreover, there is *no reason to wait*. The Alaska Plan is simple in structure, and does not require lengthy development. Both ILEC wireline and mobile broadband will measurably advance under the Plan, with support specifically reserved and targeted to those areas that lack any mobile wireless service – which will allow consumers in those communities for the first time to summon emergency assistance from wherever they need it, not just at fixed wireline phones. The consumers who stand to benefit for the retargeting of

support, as substantiated by the documented and verifiable carrier obligations, should not be made to wait.

We acknowledged that while the Alaska Plan does not provide a mechanism to choose between two CETCs that are already serving the same area, this is a reasonable tradeoff under the circumstances. First, Alaska CETCs are all agreeing that no support would flow to areas served by AT&T or Verizon LTE networks. This accepts as a starting point, a fundamental Commission-proposed reform that may prove unworkable in other parts of the country, and further highlights the dearth of AT&T or Verizon LTE coverage in rural Alaska. Second, coverage areas do not fully overlap, nor are networks necessarily at similar service levels. One network may have greater coverage areas, and another may be upgraded, or more likely to have further upgrades. Third, supporting just one mobile wireless network at this time, when two distinct air interface families are in use and are needed to provide statewide roaming coverage, threatens to turn wireless network coverage into Swiss cheese, as customers of a provider relying on one interface family remain unable to access any wireless service when they roam into the service area of a provider using the other. Rather than achieving ubiquitous, interoperable coverage, supporting one network would in effect reduce the ability of customers to roam. The *2011 Transformation Order*, for all its achievements, never really squared up to this problem– a problem that creates many more negative effects in rural areas than urban areas. Fourth, moving to redistribute all Alaska mobile wireless support through a national auction could substantially undermine, not enhance, Alaska telecommunications, and redistributing mobile wireless support even just within Alaska using an auction would be extremely disruptive, and would likely lead to multiple post-auction waiver petitions.

We provided the attached, updated summary of GCI's proposed deployment commitments. This proposal was updated to use the most recently released December 2014 broadband data to exclude areas served by AT&T or Verizon LTE networks.

Finally, we discussed the impact of Section 631 of the Consolidated Appropriations Act, 2016 (P.L. 114-113). We provided the attached handout with relevant legislative history pertaining to this provision. The language and underlying history clearly permits alternatives to Mobility Fund Phase 2 to move forward. The Alaska Plan's CETC provisions are such an alternative.

In the end, the history of the Commission's efforts at high cost universal service reform since the 1996 Act shows that universal service reforms are best undertaken in ways that are simple and practical, with achievable and measureable public interest benefits. The Alaska Plan does just that, achieving substantial reforms within a simple and enforceable structure that will

result in what everyone wants and what the high cost universal service program is all about, expanding broadband to the most isolated communities in the country.

Please contact me if you have any questions.

Sincerely,

John T. Nakahata
Counsel to General Communication, Inc.

cc: Chad Breckinridge
Audra Hale-Maddox
Gary Michaels
Sue McNeil
Matthew Pearl
Jim Schlichting
Roger Sherman
Paroma Sanyal
Margaret Wiener
Alexander Minard

	Note 1		Note 2							
Middle Mile	Population 2010 Census	Minimum Service	Population Served	% Population Served	Minimum	5 Year Population	5 Year % Total	Minimum Service	10 Year Total	10 Year % Population
Satellite	35,279	2G/voice	[redacted]	[redacted]	2G/voice	[redacted]	[redacted]	2G/voice	[redacted]	[redacted]
		3G			3G			3G		
		4G			4G			4G		
Microwave	45,675	2G/voice			2G/voice			2G/voice		
		3G			3G			3G		
		4G			4G			4G		
Fiber	58,451	2G/voice			2G/voice			2G/voice		
		3G			3G			3G		
		4G			4G			4G		
Total	139,405	2G/voice			2G/voice			2G/voice		
		3G			3G			3G		
		4G			4G			4G		

Note 1: Population per 2010 Census in service area. Excludes population served by AT&T and/or Verizon at 4G LTE using their infrastructure.
Note 2: Percentage of population served at benchmark speeds as of 12/31/14.
Note 3: 47 CFR § 54.1006(a)
Note 3: 47 CFR § 54.1006(b)

S.1910

Sec. 636. None of the funds appropriated by this Act may be used by the Federal Communications Commission to modify, amend, or change the rules or regulations of the Commission for universal service high-cost support for competitive eligible telecommunications carriers in a way that is inconsistent with paragraph (e)(5) or (e)(6) of section 54.307 of title 47, Code of Federal Regulations, as in effect on July 15, 2015: *Provided*, That this section shall not prohibit the Commission from considering, developing, or adopting other support mechanisms as an alternative to Mobility Fund Phase II.

Sen Rpt 114-97

Wireless Support.—The Committee includes a provision that would provide certainty to rural wireless broadband users and carriers across the Nation as the Federal Communications Commission continues to develop a new framework for parts of the Universal Service Fund. The provision reaffirms the intent of current regulations adopted by the Commission (47 CFR 54.307(e)(5) and (e)(6)) that provide that competitive eligible telecommunications carriers will continue to receive reliable support until Mobility Fund Phase II is implemented. The Committee preserves the Commission's flexibility to develop nationwide replacement mechanisms for high-cost support, which could include Mobility Fund Phase II, another support mechanism, or set of support mechanisms and a separate but complimentary Alaska-specific support mechanism. The Committee does not intend that this section will limit the Commission's consideration, development, or adoption of a replacement mechanism other than Mobility Fund Phase II or a separate Alaska-specific support mechanism.

Omnibus

SEC. 631.

None of the funds appropriated by this Act may be used by the Federal Communications Commission to modify, amend, or change the rules or regulations of the Commission for universal service high-cost support for competitive eligible telecommunications carriers in a way that is inconsistent with paragraph (e)(5) or (e)(6) of section 54.307 of title 47, Code of Federal Regulations, as in effect on July 15, 2015: *Provided*, That this section shall not prohibit the Commission from considering, developing, or adopting other support mechanisms as an alternative to Mobility Fund Phase II.

Joint Explanatory Statement:

Section 631 prohibits any modification of Universal Service Fund rules related to Mobility Fund Phase II.